

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
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Arizona Corporation Commission

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PAUL NEWMAN
Commissioner

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SANDRA D. KENNEDY
Commissioner

BRENDA BURNS
Commissioner

W-01303A-11-0101

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY FOR A WAIVER UNDER
A.A.C. R14-2-806 OR, IN THE
ALTERNATIVE, NOTICE OF INTENT TO
REORGANIZE UNDER A.A.C. R14-2-803

DOCKET NO. W-01303A-11-
APPLICATION

Arizona-American Water Company ("Arizona-American" or "Company") makes this filing in relation to a pending transaction by which Arizona-American's parent company, American Water Works Company, Inc. ("American Water"), a Delaware corporation, will sell all of the issued and outstanding shares of Arizona-American's common stock to EPCOR Water (USA) Inc. ("EPCOR USA"), a Delaware corporation (the "Transaction"). Through this filing, Arizona-American requests that the Arizona Corporation Commission (the "Commission") find that the Transaction is not subject to the jurisdiction of the Commission or, pursuant to AAC R14-2-806, waive compliance with the requirements of A.A.C. R14-2-801 to R14-2-806 ("the Affiliated Interests Rules") with respect to the Transaction. In the alternative, Arizona-American gives notice to the Commission pursuant to A.A.C. R14-2-803 that the Company intends to "reorganize," as such term is defined in the Affiliated Interests Rules, by virtue of American Water's sale of all of the outstanding and issued shares of Arizona-American's common stock to EPCOR USA. Given the fact that the Transaction will not impair Arizona-American's

1 financial status, prevent Arizona-American from attracting capital on fair and reasonable
2 terms, or impair the ability of Arizona-American to provide safe, reasonable and adequate
3 service, Arizona-American requests that the Commission approve the reorganization
4 without a hearing pursuant to A.A.C. R14-2-803(C).

5 **OVERVIEW OF ARIZONA-AMERICAN AND AMERICAN WATER**

6 1. Arizona-American is a public service corporation engaged in providing
7 water and wastewater utility service in portions of Maricopa, Mohave, and Santa Cruz
8 Counties pursuant to certificates of convenience and necessity granted by the Commission.
9 At the present time, Arizona-American provides water and wastewater service to
10 approximately 158,000 customers (107,000 water customers and 51,000 wastewater
11 customers). The Commission authorized Arizona-American's current, permanent rates
12 and charges in Decision Nos. 72047 and 71410.

13 2. Arizona-American's parent, American Water, is a Delaware corporation
14 headquartered in Voorhees, New Jersey, the stock of which is traded on the New York
15 Stock Exchange.

16 3. Arizona-American is a wholly owned subsidiary of American Water, which
17 owns all of the issued and outstanding shares of common stock in Arizona-American.

18 4. Arizona-American is in compliance with local and state regulatory
19 requirements. Arizona-American is current on all property taxes.

20 **OVERVIEW OF EPCOR**

21 5. EPCOR USA is an indirect wholly owned subsidiary of EPCOR Utilities
22 Inc. ("EPCOR"). EPCOR is a municipally owned Canadian corporation and holding
23 company that builds, owns and operates water and wastewater treatment facilities and
24 infrastructure and electrical transmission and distribution networks, in Canada. EPCOR is
25 headquartered in Edmonton, Alberta. It is governed by an independent Board of Directors,
26 and its sole shareholder is the City of Edmonton, Alberta, Canada.

1 6. EPCOR USA is a Delaware corporation and holding company. EPCOR
2 USA was formed to own water and wastewater treatment facilities in the United States.
3 EPCOR USA is headquartered in Phoenix, Arizona. It is governed by an independent
4 Board of Directors that differs from the EPCOR Board of Directors.

5 7. EPCOR is the parent company of a number of subsidiary companies. Its
6 primary operating utility subsidiaries are EPCOR Water Services Inc. ("EPCOR Water"),
7 EPCOR Distribution & Transmission Inc. ("EPCOR Distribution") and EPCOR Energy
8 Alberta Inc ("EPCOR Energy").

9 8. EPCOR Water provides water and wastewater services to over one million
10 people in more than 70 communities and counties across western Canada. EPCOR Water
11 and its predecessors have been providing water to the residents of the City of Edmonton
12 for more than 100 years. EPCOR Water owns and operates seven water treatment
13 facilities in Alberta and British Columbia; operates 17 other water treatment and
14 distribution facilities in Alberta and British Columbia; owns and operates five wastewater
15 treatment facilities in Alberta and British Columbia; and, operates 20 other wastewater
16 treatment and collection facilities in Alberta and British Columbia. Further, EPCOR
17 Water has long-standing business and working relationships with established American
18 companies such as Stantec Consulting, Inc. and PCL Construction, Inc., spanning nearly
19 50 years, including projects where EPCOR Water and Stantec/PCL have jointly built and
20 refurbished numerous water and wastewater facilities.

21 9. EPCOR Water operates and manages those regulated water and wastewater
22 utilities, supplying services to retail and wholesale customers across western Canada.
23 EPCOR Water specializes in all aspects of water and wastewater plant operations and
24 maintenance as well as the provision of full customer support services and operator
25 training. EPCOR Water's facilities in Edmonton encompass two state-of-the-art water
26 treatment plants, a distribution network with approximately 2,200 miles of distribution and
transmission mains, and approximately 17,000 hydrants and 54,000 valves. EPCOR

1 Water's 12 storage reservoir sites have an aggregate capacity of approximately 213 million
2 gallons. EPCOR Energy provides call center and billing services for EPCOR Water's
3 250,000 customers.

4 10. EPCOR Water also operates and maintains the distribution systems in the
5 communities in which it provides water service. EPCOR Water's experience operating
6 these systems will benefit the customers of Arizona-American.

7 11. EPCOR Distribution owns and operates high voltage electric substations and
8 high voltage transmission lines, which form part of the Alberta interconnected electric
9 system and are situated primarily within and around the City of Edmonton. EPCOR
10 Distribution also distributes power to more than 330,000 customers within its distribution
11 service area comprising the City of Edmonton. EPCOR Distribution is regulated by the
12 Alberta Utilities Commission.

13 12. EPCOR Energy provides customer care and rate-setting services to its
14 customers in Alberta as well as certain customer care services to affiliates and third
15 parties. In Alberta's deregulated marketplace, EPCOR Energy provides Regulated Rate
16 Option ("RRO") electricity service to residential and small commercial consumers within
17 the City of Edmonton, several Rural Electrification Association service territories, and the
18 FortisAlberta Inc. service territory. EPCOR Energy also provides billing, collections and
19 contact center services to the City of Edmonton's Waste and Drainage Divisions. EPCOR
20 Energy is also regulated by the Alberta Utilities Commission.

21 13. In July 2009, EPCOR sold substantially all of its power generation assets
22 and related operations to Capital Power Corporation and its subsidiaries, power generation
23 entities created for this purpose. EPCOR plans to eventually sell all or a substantial
24 portion of its ownership interest in the generation subject to market conditions,
25 requirements for capital and other circumstances that may arise in the future, and reinvest
26 the proceeds from such sales in EPCOR's utility infrastructure businesses, including water
and wastewater treatment, and power transmission and distribution.

1 14. EPCOR has been recognized with various awards for EPCOR's civic
2 involvement and community interests, and for its long record of good corporate
3 governance and environmental excellence. EPCOR has been recognized as one of
4 Canada's Top 100 Employers. In 2008, EPCOR was chosen as one of Canada's Top 10
5 Earth Friendly employers. EPCOR also received the 2010 Alberta Venture Best
6 Workplace for the Environmentally Conscious (recognizing companies with best practices
7 and regular contributions in the design and implementation of green initiatives in water,
8 wastewater and power usage in North America), and the 2009 and 2010 Government of
9 Alberta EnviroVista Leadership award (recognizing Alberta industrial and manufacturing
10 facilities and municipal water operations for their environmental excellence). As a
11 company that privately owns and operates water infrastructure in several communities,
12 EPCOR has been recognized by the Canadian Council for Public Private Partnerships for
13 its excellence in service delivery and fiscal management in constructing and operating
14 water and wastewater facilities.

15 15. EPCOR Water's technical expertise includes using advanced and highly
16 automated water treatment systems, ultraviolet disinfection, and remote systems capable of
17 monitoring all sizes of facilities. It also focuses on the industrial sector by providing
18 drinking and process water, as well as wastewater treatment, including reuse water.

19 16. EPCOR Water's water and wastewater operations meet or exceed stringent
20 Canadian federal, provincial, and municipal water quality requirements. In 2008, its
21 Quality Assurance Laboratory scored the highest among 68 labs across Canada and the
22 United States in tests administered by the U.S. Environmental Protection Agency. The
23 majority of the labs were in major United States cities.

24 17. As noted above, EPCOR Water owns and operates seven water treatment
25 facilities and 17 other water treatment and distribution facilities in Canada. Those systems
26 obtain water supplies from both ground water and surface water. EPCOR Water has
experience with surface water systems in the City of Edmonton, which is supplied with

1 water from the North Saskatchewan River. In turn, EPCOR Water has experience with
2 volume and water quality variances, municipal discharges, high turbidity events and a
3 variety of other circumstances relating to use of surface water. In utilizing surface water
4 for operations, EPCOR Water's two state-of-the-art surface water treatment plants in
5 Edmonton have been able to meet or exceed all health and environmental requirements,
6 illustrating that EPCOR Water has substantial expertise and knowledge for operating
7 surface water systems. EPCOR Water's experience in operating and managing surface
8 water systems and treatment plants in Edmonton will benefit customers of Arizona-
9 American, which relies heavily on CAP water in certain districts.

10 18. EPCOR Water has maintained water efficiency best management practices
11 in Canada, which support local and provincial goals for sustainable communities. For
12 example, EPCOR Water implements industry best management practices for water
13 management, including public education efforts focusing on prudent outdoor watering and
14 reducing indoor water use through leak detection and use of water efficient appliances.
15 EPCOR Water also has management practices to maintain and service existing water and
16 wastewater facilities. Through such practices, water main breaks in Edmonton have been
17 reduced to their lowest level since the early 1960s, and EPCOR Water has ensured that the
18 infrastructure is in place to meet the city's water needs long into the future.

19 19. EPCOR Water also has worked closely with the City of Edmonton in
20 development of its new Water Efficient Fixtures Bylaw. The bylaw requires water
21 efficient fixtures (toilets, showerheads, faucets) to be installed in all new development and
22 major renovations that require plumbing permits. As a result of these efforts, Edmonton
23 residents use 15% less water than residents in other fully metered, large Canadian cities.
24 In 2009, Edmonton reported one of the lowest water consumption rates for domestic
25 customers (single family homes and apartments) with an average of 59 gallons per day
26 compared to the average of 70 gallons per day for Canadian residential customers living in
large metered communities. EPCOR recognizes that such best management practices are

1 commonly employed in Arizona, including by Arizona-American, and supports their
2 continued implementation in accordance with Arizona law.

3 20. As noted above, EPCOR Water provides water and wastewater services in
4 over 70 communities in Canada. In the past ten years, EPCOR Water has been subject to
5 only two environmental administrative penalties, both of which were determined to be
6 minor violations. Administrative penalties in Canada are the lowest form of action taken
7 by authorities and do not involve legal proceedings. The first occurred in 2001 and
8 involved a permitting oversight. The second occurred in 2010 relating to an administrative
9 penalty for high finished water turbidity in the Town of Okotoks, Alberta. The Town had
10 contracted with a third party for the construction and commissioning of its water treatment
11 plant prior to EPCOR Water's involvement. The penalty stemmed from a call-out alarm,
12 which did not notify the operator when turbidity limits were exceeded. The subsequent
13 investigation determined that a line of code in the automated monitoring system program
14 was missing and the call-out alarm was not functioning. In both of those cases, EPCOR
15 Water immediately remedied those minor procedural or operational deficiencies.

16 21. EPCOR Water focuses on being "the neighbor of choice" in all communities
17 where it operates facilities. EPCOR believes stakeholder participation is a critical element
18 of a successful utility operation. Stakeholder status is open to any person or group that
19 believes it has a stake in EPCOR's activities. EPCOR Water will conduct stakeholder and
20 customer information sessions relating to the acquisition of Arizona-American and future
21 company operations. Further, EPCOR Water works closely with its environmental and
22 health boards, municipal councils and regulatory agencies in all areas where it conducts
23 business in Canada. EPCOR will continue this operating philosophy in its operation of
24 Arizona-American.

25 22. EPCOR USA's purchase of the stock of Arizona-American is EPCOR's
26 second entry into the water and wastewater utility industry in the United States. This
Transaction is part of EPCOR's business strategy to invest in and become a long-term

1 owner of Arizona water and wastewater utilities and to provide various utility-related
2 services to municipalities and other governmental entities in Arizona and other states.
3 EPCOR's strategy also includes future opportunities to purchase and operate water and
4 wastewater utilities in Arizona.

5 23. In Docket No. W-02113A-10-0309, Chaparral City Water Company is
6 seeking Commission approval in relation to a transaction by which American States Water
7 is selling its stock in Chaparral City Water Company to EPCOR USA. In that docket,
8 Commission Staff examined EPCOR USA in detail and recommended approval of the
9 transaction.

10 **THE TRANSACTION BETWEEN EPCOR USA AND AMERICAN WATER**

11 24. On January 23, 2011, EPCOR USA entered into a Stock Purchase
12 Agreement with American Water for the purchase of all outstanding shares of Arizona-
13 American's common stock and of New Mexico-American Water Company Inc.'s common
14 stock (the "Stock Purchase Agreement"). A copy of this Agreement will be provided
15 subject to an appropriate protective agreement.

16 25. EPCOR USA will purchase the stock of Arizona-American and New Mexico
17 American Water Company for approximately \$470 million, which, subject to adjustments,
18 will be paid to American Water at closing. As part of this transaction, at closing, EPCOR
19 will replace the existing Arizona-American debt extended by American Water with debt
20 extended by EPCOR under comparable terms ("Debt Replacements"). To the extent the
21 replacement of the existing American Water debt with new debt extended by EPCOR (or a
22 third party) requires Commission approval under A.R.S. §40-301 and §40-302, Arizona-
23 American requests such approval in this proceeding.

24 26. After the Transaction closes, Arizona-American will remain the same legal
25 entity, except that the Company will be a subsidiary of EPCOR USA rather than American
26

1 Water.¹ The Transaction will not involve the sale, lease, assignment, encumbrance,
2 transfer or conveyance of any of the Company's utility used and necessary plant, assets,
3 revenue or property.

4 27. EPCOR USA does not anticipate that any positions will be eliminated as a
5 result of this Transaction. While it is recognized that staff turnover exists in all
6 companies, it is expected that Arizona-American's current employees will remain with the
7 Company and continue to operate the system after the Transaction closes. This, of course,
8 does not mean that EPCOR USA will not take necessary steps to ensure that employees
9 are putting their best efforts forward to perform their duties and maintain legal and
10 responsible operations. Thus, EPCOR USA intends to continue Arizona-American's
11 operations in a manner that ensures the continuation of safe and reliable water and
12 wastewater utility service.

13 28. The Transaction between EPCOR USA and American Water will not impact
14 the service provided by Arizona-American to its customers. Arizona-American will
15 continue to operate as a public service corporation subject to the Commission's authority
16 and jurisdiction. Arizona-American will continue to provide safe, reliable and adequate
17 water utility service to customers in its service territory under rates and tariffs approved by
18 the Commission.

19 **REQUEST FOR WAIVER UNDER RULE 806**

20 29. Because the Transaction will not impact Arizona-American and its
21 operations, the Company submits that, to the extent the Affiliated Interests Rules may
22 apply to this Transaction, a waiver of such rules is appropriate and in the public interest
23 under A.A.C. R14-2-806 ("Rule 806"). Arizona-American believes that a waiver is
24 appropriate and in the public interest because the Affiliated Interests Rules do not apply to
25 a transaction such as this by and between foreign corporations that are not public service
26

¹ Following the closing of the Transaction, EPCOR USA will change the name of the utility, as the utility will no longer be part of the American Water system. EPCOR USA will notify the Commission following the determination of the new name.

1 corporations and otherwise conduct no business activities in Arizona. *See, e.g., Arizona*
2 *Corp. Comm'n v. Consolidated Stage Co.*, 63 Ariz. 257, 161 P.2d 110 (1945).

3 30. None of the utility plant, revenue or other assets currently owned by
4 Arizona-American will be sold, transferred or encumbered as part of the Transaction.
5 Consequently, Arizona-American's ability to raise capital and its creditworthiness will not
6 be impaired by the Transaction.

7 31. The Transaction will not have a direct impact on Arizona-American's cost of
8 providing utility service. As stated, the Transaction will not cause any change in the
9 manner in which Arizona-American will be operated; the Transaction will not impact the
10 Company's utility service to customers; nor will the Transaction eliminate the
11 Commission's regulatory oversight or ratemaking responsibilities relating to Arizona-
12 American.

13 32. For these reasons, the Company respectfully submits that the nature of the
14 Transaction between EPCOR and American Water is either not subject to the
15 Commission's jurisdiction or, in the alternative, the public interest justifies a waiver of the
16 Affiliated Interests Rules as they relate to this Transaction.

17 **NOTICE OF INTENT – INFORMATION REQUIRED BY RULE 803**

18 33. If the Commission determines that it has jurisdiction over the Transaction
19 and declines to grant a waiver under Rule 806, then the Company requests in the
20 alternative that the Commission approve the Transaction under A.A.C. R14-2-803 ("Rule
21 803"). For this purpose, Arizona-American provides the following information specified
22 in Rule 803.

23 **1. The Names and Business Addresses of the Proposed Officers and Directors of**
24 **the Holding Company.**

25 34. Attached as Exhibit 1 is a list of the names and business addresses of the
26 individuals responsible for the management of EPCOR Utilities Inc., EPCOR Water
Services Inc., EPCOR Water Development (West) Inc., and EPCOR Water (USA), Inc.

1 **2. The Business Purposes for Establishing or Reorganizing the Holding**
2 **Company.**

3 35. The Transaction reflects EPCOR's business plan to enter into the water
4 utility market in Arizona and is part of EPCOR's long-term strategy to invest in and own
5 water and wastewater facilities in the southwestern United States and contract to provide
6 similar services to municipal and other governmental authorities.

7 36. As stated above, EPCOR is a trusted developer and operator of utility
8 infrastructure. The United States provides opportunities to build a larger portfolio of water
9 and wastewater assets. Water scarcity, increasing regulation requiring additional
10 investment in water infrastructure, openness to private participation, a greater focus on
11 quality than on private participation, the presence of business partners who have
12 established a local presence, and significant business opportunity in the southwest United
13 States relative to the Canadian marketplace highlight EPCOR's reasons for pursuing
14 investment in the U.S. market and the purchase of American Water's interest in Arizona-
15 American.

16 **3. The Proposed Method of Financing the Holding Company and the Resultant**
17 **Capital Structure.**

18 37. The purchase price for the Transaction will be funded by cash and debt.
19 EPCOR has substantial assets and business operations in Canada. In 2009, EPCOR had
20 approximately \$2.4 billion (\$Cdn) in revenue from its various operations, and net income
21 of approximately \$125 million (\$Cdn). No material changes to EPCOR's capital structure
22 are expected as a result of the Transaction, and EPCOR will continue to finance capital
23 projects in the same way it has in the past.

24 **4. The Resultant Effect on the Capital Structure of the Public Utility.**

25 38. For purposes of the Transaction, valuation was based on a 60/40 debt-to-
26 equity capital structure. EPCOR does not have any intention to capitalize the operating
 companies using a debt to capitalization ratio that is materially different.

1 **5. An Organization Chart of the Holding Company That Identifies All Affiliates**
2 **and Their Relationships within the Holding Company.**

3 39. An organizational chart identifying EPCOR and its affiliates and subsidiaries
4 is attached as Exhibit 2.

5 **6. The Proposed Method for Allocating Federal and State Income Taxes to the**
6 **Subsidiaries of the Holding Company.**

7 40. Similar to current practice, the EPCOR Water USA group will file a single
8 consolidated US federal return, but state returns will also be filed for each entity.
9 However, taxes will be calculated on a stand-alone basis for entity financial statement and
10 regulatory reporting requirements.

11 **7. The Anticipated Changes in the Utility's Cost of Service and the Cost of**
12 **Capital Attributable to the Reorganization.**

13 41. The Transaction is not anticipated to result in any material changes to the
14 Company's cost of service or its cost of capital. Arizona-American will continue to be
15 operated on a stand-alone basis, and will contract for services, equipment and supplies,
16 and will raise capital as necessary for capital improvements.

17 **8. A Description of Diversification Plans of Affiliates of the Holding Company.**

18 42. EPCOR's business strategy is to own and operate water and wastewater
19 treatment facilities and infrastructure and electrical transmission and distribution facilities
20 in Canada and the United States, and to provide contract services of a like nature to
21 municipal and other governmental entities. This Transaction will not result in any change
22 to EPCOR's strategy. And, as stated above, Arizona-American will be operated on a
23 stand-alone basis.

24 **9. Copies of All Relevant Documents and Filings with the United States Securities**
25 **and Exchange Commission and Other Federal or State Agencies.**

26 43. Relevant filings by American Water with the United States Securities and
Exchange Commission can be found on American's Water website at

1 <http://ir.amwater.com/phoenix.zhtml?c=215126&p=irol-sec>. EPCOR Utilities Inc. has
2 continuous disclosure filings with Canadian securities regulators. The filings are available
3 on the SEDAR website at www.sedar.com. Filings by the parties with the New Mexico
4 Public Regulation Commission can be found at www.nmprc.state.nm.us.

5 **10. The Contemplated Annual and Cumulative Investment in Each Affiliate for**
6 **the Next Five Years, In Dollars and as a Percentage of Projected Net Utility**
7 **Plant, and An Explanation of the Reasons Supporting the Level of Investment**
8 **and the Reasons This Level Will Not Increase the Risks of Investments in the**
9 **Public Utility.**

10 44. As stated above, EPCOR owns interests in numerous water, wastewater and
11 electric facilities in Canada. As such, it would be extremely difficult to provide this
12 information due to the large number and diverse nature of the various companies and
13 businesses that will become an “affiliate” of EPCOR under the definition of “affiliate”
14 provided in R14-2-801(1). EPCOR USA has reviewed American Water’s projected
15 capital budget for Arizona-American for the years 2011 through 2013 and intends
16 generally to adopt the projected plan. Under that plan, capital projects totaling
17 approximately \$36.8 million would be constructed over the next three years.² For the
18 reasons previously stated, EPCOR has access to the capital market and will be able to
19 support Arizona-American as appropriate.

20 45. For the reasons previously explained, this Transaction will not increase the
21 risks of investment in Arizona-American. No utility funds will be co-mingled with non-
22 utility funds, nor will any cross-subsidization of non-utility activities take place. Further,
23 the Transaction will not alter the Commission’s existing regulatory oversight and approval
24 authority with respect to Arizona-American’s rates, operations, or transactions with
25 affiliates. For these reasons, the Transaction will not increase the level of risk associated
26 with an investment in Arizona-American.

² Should the transfer be approved, EPCOR USA may wish to include additional projects, substitute or alter the timing of planned projects to ensure that necessary investments to maintain and improve the provision of utility service are undertaken.

1 **11. An Explanation of the Manner in Which the Utility Can Ensure That**
2 **Adequate Capital Will Be Available for the Construction of New Utility Plant**
3 **and For Improvements In Existing Utility Plant At No Greater Cost Than If**
4 **the Utility or Its Affiliate Did Not Organize or Reorganize a Public Utility**
5 **Holding Company.**

6 46. Over the period of 2004 to 2009, EPCOR routinely financed an average of
7 \$400 million (\$Cdn) annually in capital improvements for its water, wastewater and
8 electric facilities. EPCOR maintains a Standard & Poor's credit rating of BBB+ stable for
9 long-term unsecured debt and DBRS Ltd. affirmed its credit rating for EPCOR's long-
term unsecured debt at A (low) stable. These ratings reflect EPCOR's ability to assist
Arizona-American, if necessary, in obtaining capital.

10 **RELIEF REQUESTED**

11 47. WHEREFORE, for the reasons set forth herein, Arizona-American requests
12 an order from the Commission that (i) declares that the Affiliated Interests Rules, A.A.C.
13 R14-2-801 to R14-2-806, do not apply to the Transaction between EPCOR USA and
14 American Water or, alternatively, (ii) grants a waiver under A.A.C. R14-2-806, with
15 respect to American Water's sale of Arizona-American's outstanding shares of common
16 stock to EPCOR USA.

17 Alternatively, Arizona-American requests that the Commission approve the
18 Transaction under A.A.C. R14-2-803 without a hearing. For the reasons set forth above,
19 the Transaction will not impair Arizona-American's financial status, prevent Arizona-
20 American from attracting capital on fair and reasonable terms, or impair the ability of
21 Arizona-American to provide safe, reasonable and adequate service, and therefore,
22 approval is in the public interest.

23 Arizona-American also requests that the Debt Replacements be approved pursuant
24 to A.R.S. §40-301 and §40-302.
25
26

1 RESPECTFULLY SUBMITTED this 2nd day of March, 2011.

2 LEWIS AND ROCA LLP

3 

4 Thomas H. Campbell
5 Michael T. Hallam
6 40 North Central Avenue
7 Phoenix, AZ 85004
8 Attorneys for Arizona-American Water
9 Company

10 ORIGINAL and thirteen (13) copies
11 of the foregoing filed
12 this 2nd day of March, 2011, with:

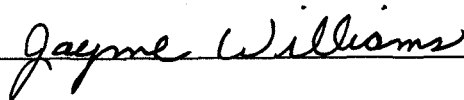
13 The Arizona Corporation Commission
14 Utilities Division – Docket Control
15 1200 W. Washington Street
16 Phoenix, Arizona 85007

17 Copy of the foregoing hand-delivered
18 this 2nd day of March, 2011, to:

19 Steve Olea
20 Utilities Division
21 Arizona Corporation Commission
22 1200 W. Washington Street
23 Phoenix, Arizona 85007

24 Lyn Farmer, Chief Administrative Law Judge
25 Hearing Division
26 Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Janice Alward, Chief Legal Counsel
Legal Department
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

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VERIFICATION

STATE OF ARIZONA
County of Maricopa

} ss:


PAUL TOWNSLEY, being first duly sworn upon his oath, deposes and says:

1. I am the President of Arizona-American Water Company, and am authorized to make this verification on behalf of Arizona-American Water Company.

2. I have read the foregoing Application for a Waiver Under A.A.C. R14-2-806 or, In the Alternative, Notice of Intent to Reorganize Under A.A.C. R14-2-803, and I hereby verify that the statements contained therein are true and correct to the best of my information, knowledge and belief.


Paul Townsley

SUBSCRIBED AND SWORN TO before me, the undersigned Notary Public, on the 2 day of March, 2011, by Paul Townsley, personally known to me or provided to me on the basis of satisfactory evidence to the the person who appeared before me.


Notary Public

My Commission Expires:

June 22, 2014

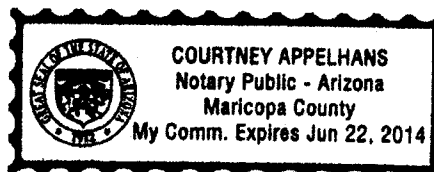


EXHIBIT 1

Exhibit 1

EPCOR Water (USA) Inc.

List of Directors

<u>Name</u>	<u>Business Address</u>
Don Lowry	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Jeffery Kishel	Stantec Consulting Inc., 2000 South Colorado Boulevard, Suite 2 - 300, Denver, Colorado, 80222
Donald Munson	13417 North 76 Place, Scottsdale, Arizona, 85260

Exhibit 1

EPCOR Water (USA) Inc.

List of Officers

<u>Name</u>	<u>Position</u>	<u>Business Address</u>
Don Lowry	President & CEO	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada, T5J 3B1
Mark Wiltzen	Senior Vice President & Chief Financial Officer	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Ron Liteplo	Senior Vice President, Legal & External Relations and Corporate Secretary	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Sam Myers	Treasurer	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Stephen Stanley	Senior Vice President, Water Services	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Joe Gysel	Senior Vice President, Water Development	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Duane Sommerfeld	Corporate Controller	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Jamie Pytel	Acting Associate General Counsel and Acting Assistant Corporate Secretary	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1

EPCOR Water Development (West) Inc.

List of Directors

Name

Business Address

Don Lowry

EPCOR Utilities Inc., 18th Floor, 10065 Jasper Avenue,
Edmonton, Alberta, Canada T5J 3B1

Mark Wiltzen

EPCOR Utilities Inc., 18th Floor, 10065 Jasper Avenue,
Edmonton, Alberta, Canada T5J 3B1

Exhibit 1

EPCOR Water Development (West) Inc.

List of Officers

<u>Name</u>	<u>Position</u>	<u>Business Address</u>
Don Lowry	President & CEO	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Mark Wiltzen	Senior Vice President & Chief Financial Officer	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Ron Liteplo	Senior Vice President, Legal & External Relations and Corporate Secretary	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Sam Myers	Treasurer	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Stephen Stanley	Senior Vice President, Water Services	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Joe Gysel	Senior Vice President, Water Development	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Duane Sommerfeld	Corporate Controller	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Jamie Pytel	Acting Associate General Counsel and Acting Assistant Corporate Secretary	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1

EPCOR Water Services Inc.

List of Directors

<u>Name</u>	<u>Business Address</u>
Don Lowry	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Mark Wiltzen	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1

Exhibit 1

EPCOR Water Services Inc.

List of Officers

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Don Lowry	President & CEO	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Mark Wiltzen	Senior Vice President & Chief Financial Officer	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Ron Liteplo	Senior Vice President, Legal & External Relations and Corporate Secretary	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
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Jamie Pytel	Acting Associate General Counsel and Acting Assistant Corporate Secretary	EPCOR Utilities Inc., 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1

EPCOR Utilities Inc.

List of Directors

<u>Name</u>	<u>Business Address</u>
Hugh Bolton	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Robert Phillips	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Sheila Weatherill	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Doug Mitchell	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Mike Percy	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
James Carter	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Alex Davidson	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Steve Matyas	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Larry Pollock	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Wesley Twiss	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Helen Sinclair	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1
Allister McPherson	EPCOR Utilities Inc., 18 th Floor, 10065 Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1

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EXHIBIT 2

**EPCOR Utilities Inc.
Corporate Organization
Chart
Exhibit 2**

